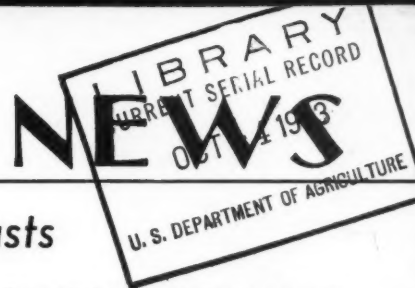


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# MANAGEMENT



## Business Conditions & Forecasts

AMERICAN MANAGEMENT ASSOCIATION

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### The President's Scratch-Pad

#### The Re-emergence of Competition



ALVIN E. DODD

One of the complaints heard from many postwar planners is that companies are actually showing little cooperation in the matter of trading ideas on postwar industrial policies. The public utterances of management officials concerning the postwar, it is said, consist mostly of generalities intended to conceal well-defined and clearly delineated programs about which management won't talk. Actually, say many students of postwar problems, companies have developed rather precise plans involving financial arrangements, products, industrial processes, trade relations, sales programs, advertising campaigns, etc. Indeed, it is being widely remarked that as the war's end approaches, business executives become more closemouthed on the subject while their private plans become even more definite and more detailed.

Many who have commented in this vein have appeared genuinely saddened at this spectacle of what seems to be the selfish opportunism of American business. In fact, many foresee disaster in the future if industry persists in this approach to the problem of postwar adjustment—a disaster which will come in the form of another major depression following a few short years of prosperity based upon the fulfilment of war-created civilian needs and the wild peacetime exploitation of technologies and processes developed during the war.

It is to be wondered, however, just how far the postwar planners would have business go in this matter of exchanging plans for peacetime industrial development. Companies are "cooperating" with each other, up to a point—but the line must be drawn somewhere. This war has changed many of our ways, but it has not yet fundamentally changed

our competitive system—a system in which foresight, agility and initiative are determinants of success. Behind the corporate facade, no matter how dignified and benign it may be, there is a management driving hard to preserve the life of the company. This is the realism of postwar planning.

In war production, too, competition will increasingly begin to assert itself. The era of "production at any cost" is in its twilight. We are no longer in need of materials as we were in the days just after Pearl Harbor; we have an amplitude of the essential equipment; and further production can proceed on a more orderly and rational basis. Impetus to this trend will come from many sources. Note, for example, the warmth with which Henry Kaiser's plan to award contracts on the basis of manpower efficiency was received. Charles E. Wilson, Executive Vice Chairman of the War Production Board, was reported in full accord with it, and William H. Davis, Chairman of the War Labor Board, was described as "solidly in line" with the idea, believing that "a tremendous effort must be made to consolidate the nation's energy through effective use of its manpower."

While there may be many difficulties involved in installing the system proposed by Mr. Kaiser, such a plan would step up manpower utilization enormously and bring a change of the most fundamental character into manpower utilization and labor relations.

In this connection, the recommendations made to James F. Byrnes, Director of War Mobilization by his advisers, Bernard M. Baruch and John Hancock, are also extremely noteworthy. At one point their report read: "In the early stages of the war, when manufacturers were asked to produce things they never made before, there might have been some justification for cost-plus arrangements; by now, government and industry surely have had sufficient experience in the manufacture of many munitions

(Continued on page 4)

## TRENDS IN BUSINESS

### Production Near Ceiling Under Present Methods as Over-all Labor Force Contracts; National Service May Be on Way

It is becoming increasingly clear that business activity is leveling off and that no very startling advances can be expected unless drastic means of coping with the manpower situation are adopted. Production rose slightly in July, edged up again in August, but there was no real spurt.

The fact of the matter is that women are not coming into industry fast enough, and as a result the labor force is shrinking instead of expanding. Non-agricultural employment, which totaled 43,000,000 last December is now about 41,500,000. During the first six months of 1943 only 400,000 women entered the labor market, not nearly enough to replace the men lost to the armed services. This is in striking contrast to the previous six-month period when the country chalked up a net gain of 1,200,000 workers.

#### LABOR PRIORITIES

Channeling the available hands to key industry may help, of course, and if labor priorities can be made to stick on the West Coast, other shortage areas can look for immediate application of some form of the "Buffalo plan" of controlled hiring. If this does not do the trick, the long-anticipated national service act seems more likely to materialize than it has at any time in the past.

#### TRANSPORTATION

Manpower, however, is not the only problem, although it has far overshadowed all the others in recent months. The next big bottleneck may occur in the transportation system, which has just about reached its saturation point. Railroads have so far met the demands upon them, but it is doubtful whether they can handle any greatly expanded traffic, and highway transportation systems are loaded to capacity. While shortage of manpower is a factor here also, equipment has a considerable bearing.

All in all, it appears that the country is facing a major decision. Either the civilian economy will have to take further cuts, and civilians submit to more stringent regulation than they have ever experienced in the past, or the armed services must be content with output at, or very little above, present levels. The latter might mean a longer if a softer war.

# The Business Outlook

## GENERAL OUTLOOK

The trend toward stabilization which has been evident all through the summer is becoming increasingly pronounced despite some slight upturns. Production, dominated by war industries, is up a bit, but not much. Construction is continuing to taper off, and retailing is marked by a mildly slower pace. The wage-price spiral has been checked, and the threat of inflation is in abeyance, momentarily at least.

We have, says the Cleveland Trust Company's *Business Bulletin* pushed production as far as it will go "under the impetus of our prevailing thinking." With industry already cramped for lack of manpower, with continued acceleration of output demanded, and 2,000,000 more men scheduled to enter the armed forces during the next 12 months, the *Bulletin* declares, "something will have to give way somewhere."

## LABOR AND WAGES

In August, for the first time since the United States entered the war, total employment fell below the level achieved in the corresponding month of the previous year, the Bureau of the Census figures reveal. The drop was to 53,900,000—400,000 below the July figure, and 100,000 below that for August, 1942. Moreover, the fact that the decline was due to shrinkage in the labor force rather than to any curtailment of activity is evidenced by the figures on unemployment; 1,000,000 for August as against 1,200,000 for July.

The average number of hours worked in manufacturing industries was 45.2 in June, 1943, compared with 37.6 in June, 1940. During the same period factory earnings rose 74 per cent.

## CONSTRUCTION

During the first seven months of 1943, construction activity was off 61.6 per cent from the 1942 figure, and the more than seasonal decline in July brought the total for non-residential building to a point 90.5 per cent below the corresponding period last year.

*Business Week* estimates that totals will continue to ease off from the current \$8,000,000,000 rate to "perhaps a \$5,000,000,000 rate as rock bottom a year from now." This figure, though far below 1942's 13 odd billion, compares not too unfavorably with the totals for the years just before the war, and is well above those for the depression years 1933-1935.

## SOURCES:

Alexander Hamilton Institute  
Brookmire, Inc.

*Business Week*

Cleveland Trust Company

*Dun's Review*

Federal Reserve Bank of  
New York

National City Bank

## DISTRIBUTION

Fears of clothing rationing are subsiding since a marked drop in Army demands for textiles gives promise of a moderate increase in civilian supplies. The situation is not likely to ease to any very startling extent, however, since the textile industry is beginning to feel the pinch of the manpower shortage. In July, mill consumption of raw cotton was 16 per cent below the figure for the corresponding month last year.

Retail activity during August was comparatively quiet, with the seasonal lull, small selection, and the WPB request to limit promotions exerting a leveling influence. The high gains made on the Pacific Coast, in the Southwest, and Florida during July were not so evident in August.

## RENEGOTIATION

Opponents of renegotiation are convinced that "they have the Price Adjustment Boards on the run," *Business Week* reported recently. While there has been some demand for outright repeal of the law, in the main manufacturers are pressing for three major changes: (a) transfer of renegotiation to an after-taxes basis; (b) provision for reserves for re-conversion and postwar contingencies; (c) exemption of companies whose government contracts total less than \$500,000 (present figure is \$100,000).

Meanwhile, contractors are being taken through the adjustment mill at an accelerated rate. The end of June saw 3,611 contracts settled and 7,429 cases in progress. Savings achieved in the 14 months prior to that date totaled \$3,555,174,000, of which slightly more than a third represented actual recoveries and the rest price reductions on existing contracts.

## 10 AMA Publications Reprinted to Meet Increasing Demand

Ten of AMA's most popular publications, out of print for some time because the original editions were exhausted, have been reprinted, and are now available. These publications include:

Personnel 45, *New Responsibilities of the Personnel Executive* ("This Thing Called Personnel Relations" by Walter Dietz; "Top Management Views the Personnel Job" by W. A. Patterson; "The Personnel Man's Functional Relationships" by Harold F. North; "In-Service Training for the Personnel Job" by R. R. Zimmerman).....50 cents.

Personnel 43, *Values of Psychology in Industrial Management* ("How Can Psychology Help Industry?" by Bruce V. Moore; "A Test Program in an Industrial Company" by Harold C. Taylor; "Inaugurating a Test Program" by Edward N. Hay).....50 cents.

Production 124, *Personnel Aspects of Cost Reduction* ("Feelings and Production Costs" by Walter Dietz; "Stabilization of Production and Employment" by E. J. Kessler; "How Job Evaluation Contributes to Cost Reduction" by A. F. Kindall; "Some Fallacies and Virtues of Merit Rating" by Jess T. Hopkins).....\$1.00.

Production 123, *The Foreman's Role in Cost Reduction* ("The Foreman and Cost Reduction" by W. C. Zinck; "How to Organize a Supervisory Program for Cost Reduction" by Roswell B. Davenport; "Managing Through a Factory Council" by F. W. Stein).....75 cents.

Production 109, *Personnel Problems in Production* ("The Human Relations Aspect of Foreman Training" by Clarence C. Gates; "Technical Proficiency in Foreman Training" by Allan H. Mogensen; "Methods of Sounding Out Employee Attitudes" by J. J. Evans, Jr.; "The Development of Junior Executives Under Multiple Management" by Charles P. McCormick).....75 cents.

Office Management 88, *Employee Selection—Salary Administration* ("Hidden Abilities of Clerical Workers" by Guy W. Wadsworth, Jr.; "Salary Standardization" by L. C. Lovejoy; "Salary Administration Plan for Factory Supervision and Staff" by N. D. Hubbell).....75 cents.

Office Management 87, *Attitudes and Emotional Problems of Office Employees* ("Employer-Employee Relations in the Office" by Harold B. Bergen; "Dealing with Emotional Problems in the Office" by Lydia G. Giberson, M.D.; "Creating and Maintaining Employee Interest in Public Relations" by F. L. Hallock).....50 cents.

Office Management 84, *Office Personnel Administration* ("Aptitude Tests and the Selection of Office Workers" by E. D. Bartlett; "Job Evaluation and Salary Standardization" by John A. Williams; "Making a Salary Survey" by A. L. Kress; "Tests to Determine Objectively the Effectiveness of an Industrial Relations Program" by E. B. Roberts).....75 cents.

Office Management 80, *Standardizing Office Procedures* ("Developing and Applying Improved Office Methods" by H. C. Wheeler; "Planning and Production of the Office Manual" by John F. Pierce; "Training for Better Letter Writing" by James F. Grady).....50 cents.

Office Management 75, *Selection and Training of Office Workers* ("What's New in Methods for Selecting Office Workers" by Morris S. Viteles; "An Appraisal of Current Pre-Employment Training for Office Work" by J. R. Jackman; "Office Training Programs that Bring Results" by John W. Riedell).....50 cents.



# RESEARCH DEPARTMENT

## Good Books on Incentives

Inquiries coming in to the Association reveal greatly increased interest in incentive plans, due, no doubt, to pronouncements of certain government organizations and to the interest of managements everywhere in securing greater production.

A general background knowledge of the subject can be secured by reading some such book as Dickinson's "Compensating Industrial Effort,"<sup>1</sup> while more specialized information on the various plans available—such as the Bedaux Plan, the Gantt Task and Bonus Plan, the Haynes Plan, and the Taylor Plan—is provided in C. W. Lytle's "Wage Incentive Methods."<sup>2</sup>

Executives who wish a complete grasp of the subject, however, will have to go further into the time and motion study field, and there are a number of good books on the subject available to them. Some of the more recent ones are:

*Motion and Time Study*, by Ralph M. Barnes. John Wiley & Sons Company, 1940.

*Timestudy for Cost Control*, by Phil Carroll, Jr. and C. D. Dyer, Jr. McGraw-Hill Book Company, Inc., 1943.

*Time and Motion Study and Formulas for Wage Incentives*, by Stewart M. Lowry, Harold B. Maynard and G. J. Stegemerten. McGraw-Hill Book Company, Inc., 1940.

*Operation Analysis*, by Harold B. Maynard and G. J. Stegemerten. McGraw-Hill Book Company, Inc., 1939.

<sup>1</sup>Dickinson, Z. Clark. *Compensating Industrial Effort*, The Ronald Press Company, New York, 1937.  
<sup>2</sup>Lytle, Charles W. *Wage Incentive Methods*, The Ronald Press Company, New York, 1942.

## Have You Done Your Duty?

The Industrial Relations Department of Swift & Company poses this question in a leaflet recently distributed to all employees. Four pages of text and pictures are combined to present a rather unusual and effective message. The theme centers around the importance to every worker of arranging his or her financial affairs so as to provide maximum protection for dependents in the event of death. Pointers are included on the steps which should be followed in drawing up a will, listing insurance and other assets, and securing investment advice for dependents. Employees are further reminded of the necessity for an annual review of their financial position.

While it is obviously impossible for any company to handle the details involved in the above and other aspects of the personal affairs of its employees, the provision of helpful hints and advice is a valuable service which is all too infrequently encountered in industry.

## What Managers Are Saying

Your column, "What Managers are Saying," in the August 27 issue of *MANAGEMENT NEWS* is thought-provoking; and while I do not know whether you are expecting answers to the problems presented there, some of our solutions may be helpful.

One writer, for instance, asks what can be done about office workers' grievances, and in this matter we ourselves have adopted a definite policy. Employees are encouraged to visit with the personnel manager, and every time a complaint develops, representatives of personnel talk it over with everyone in the department—a woman representative with the women and a man with the men. Thus the problem is studied and overcome to the satisfaction of all concerned.

In the matter of salaries, we have had to compete with new defense plants which, because of their generalized organization, have constant opportunities to make promotions and create "new jobs." The simplest course, here, we have found, is to adopt a rate range and have it approved by the War Labor Board.

If white-collar workers are being "pressured" into factory employment, as one correspondent complains, the employer may point out to them: "If you have latent ability which we are not using, let us discuss it—it is better to help your country by using your full ability in work which you understand thoroughly than to make a temporary change into some other field which may offer you more money temporarily but to which you might be poorly adapted." Then fill every job, except the lowest ones, by promotion, for it is much easier to hire beginners for "closely supervised" work than to find experienced help for jobs which must be done "with little or no supervision."

Another correspondent asks how employees who remain on the job and train the new help may be compensated. In our company, the older employee receives an accumulated bonus, equal to a \$100 war bond, or a \$2.50 a month increase, for each new employee assigned to him for training who remains in our employ until the end of hostilities or until called by Selective Service.

As for incentives, incentive plans (plural) are used rather than an incentive plan (singular), since a system that fits one type of worker is seldom applicable to others. The only feasible over-all incentive plan, I believe, is one based on profits and distributed according to salaries, costs (in inverse ratio), service or some similar factor.

Give the employees a percentage, just as you would the stockholders; pay them for savings, pay them for improvements, for reduced costs, for increased sales, for better production and deliveries. Whatever they do pay them, train them, promote them, treat them like brothers, and you will get results "full measure, pressed down, and running over."—*Personnel Manager, Oil Company.*

### IRRESPONSIBLE UNION

The international union which represents our employees is a new one, and our main difficulty is that the local officers do not assume proper responsibility. They do not instruct their stewards properly, and much misunderstanding results, since the employees fear that if they contact management for explanations the union will penalize them for bargaining individually.

Moreover, the local seems to have some difficulty in keeping its offices filled. Whenever some obstacle confronts them, the officers resign. This might lead one to believe that the union is about to fold up, but it is not the intention of our top management to

hasten the day of its demise. A good employee bargaining agent is essential, especially in these times.—*Instrument Company Executive.*

### CUTTING DOWN TURNOVER

Under a gentlemen's agreement the industries in our community inaugurated a policy of consulting each other about employees before hiring them. It soon became known that it was difficult to change jobs without a valid reason, and many employees who had quit returned, while others refrained from attempting to change.—*Rubber Company Executive.*

### FOREMEN'S UNIONS

If a foremen's union, why not a presidents' union, a vice presidents' union, a sales managers' union, etc., etc.? Sounds ridiculous, doesn't it? But is it? After all foremen are part of management.—*Radio Manufacturer.*

I feel that unless company management gives a great deal more thought to keeping the foremen and supervisors on the company's ball team, they are bound to lean more and more toward unions. Many of them feel that the company neglects their welfare.—*Radio Manufacturer.*

### INDUSTRY'S RESPONSIBILITY

A lot of us read about the situations in Detroit and elsewhere and tend to dissociate them from our daily industrial responsibility. Personally, I do not think that this can be done. It is inevitable that the industrialist must take his share in the solution of community, social, and racial questions.—*Hat Manufacturer.*

To thousands of our young men, a depression is normal. They have never had an opportunity to live and work in a normally prosperous period and see our enterprise system at its best. Many of them have been taught and encouraged to look to government for work, food and shelter. I feel that we must do everything possible to make them realize America is still a land of opportunity for those with ambition and a capacity for hard work.—*Automotive Company Executive.*

### INTRINSIC MANAGEMENT

In the labor negotiations work we do for clients, we find that we have more difficulty in persuading management to take the proper viewpoint than we do in persuading labor—provided, of course, we are dealing with a responsible union. We are likely to be faced with acute labor difficulties in the postwar period, and if management still has the "beat labor" attitude these difficulties are going to be much more serious. Of course shortsighted labor leaders take arrogant attitudes and unreasonable stands, but the best results seem to come when management recognizes its responsibility for getting along with labor on an effective, cooperative basis.—*Consultant.*

### JOB FREEZING

With the advent of the "job freeze," we noted a distinct restlessness developing among our workers. Held by other things than pay, our people were entirely happy so long as they knew they could change. But when a man knows he cannot quit if working conditions are altered, he wants to be on the job that pays the most money.—*Laundry Equipment Company Executive.*

# Activities of the AMA

## Office Manpower and Salary Problems To Be Analyzed at Conference Oct. 28-29

**Methods and Procedures, Morale, and Postwar Planning Also On Agenda for Meeting in New York City**

Analysis of the office manager's manpower problems—with attention to such related topics as compensation, morale, and improved methods and procedures—will be featured at the annual Office Management Conference to be sponsored by the American Management Association at the Hotel Pennsylvania, New York City, October 28 and 29.

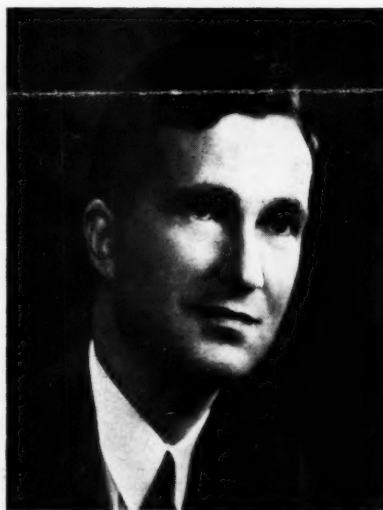
The program, which is being planned under the direction of Henry E. Niles, AMA Vice President in Charge of the Office Management Division, will also include a session (October 29) devoted to postwar planning for the office. Coleman L. Maze, Professor of Management at New York University, will serve as chairman, and panel speakers will include E. H. Conarroe, Director, Management Service, Policyholders Service Bureau, Metropolitan Life Insurance Company; Dr. Donald Davenport, Chief, Employment and Occupational Outlook Branch, Bureau of Labor Statistics, U. S. Department of Labor; and W. E. Tarr, General Office Manager, The Studebaker Corporation.

The Conference will open Thursday morning, October 28, with a keynote address by Mr. Niles on "The Office Manager's Job Today." Other topics at the first session will be "Procedures Under Wage Stabilization," by a representative of the National War Labor Board and "Job Evaluation and Compensation Problems" by A. L. Kress, Assistant to President, Republic Aviation Corp.

Mrs. Zalaine S. Hull, Supervisor, Office Training, Sperry Gyroscope Company, Inc., will be chairman of the Thursday afternoon session, at which "A New Interview Technique" will be presented by R. S. Driver, Director of Training, The Atlantic Refining Company and Assistant District Representative of Training Within Industry. George V. Anderson, Personnel Supervisor, Chance Vought Aircraft Division, United Aircraft Corporation, will speak on "Induction Methods to Reduce Turnover," and Sterling W. Mudge, District Director of Training Within Industry, on "Applying the Training Within Industry Program to the Office."

Friday morning, October 29, there will be two concurrent sessions, one on "Gearing Office Operations for Greater Output," and the other devoted to "Case Stories in Office Morale."

Speakers at the first will be H. J. Roth, Supervising Procedures Accountant, Commonwealth Edison Company,



HENRY E. NILES

on "Methods and Procedures for Office Efficiency"; I. A. Herrmann, Office Manager, Servel, Inc., on "Standardization of Record Forms"; and Edward N. Hay, Personnel Officer, The Pennsylvania Company, "Punch-Card Methods in Payroll Work."

The program for the morale session, at which L. A. Griffin, General Office Manager of Johns-Manville Corporation, will preside, will include: "Non-financial Incentives," by T. Stanley Vanneman, Assistant General Auditor, The Chesapeake and Potomac Telephone Companies; "Office Discipline Policies," L. C. Lovejoy, Personnel Director, Crucible Steel Company of America; "Handling Grievances," Kenneth O. Warner, Director of Personnel, Office of Price Administration; and "An Attendance Bonus Plan," Carl G. Baumes, Office Manager, R. Wallace & Sons Mfg. Co.

At a luncheon meeting, also scheduled for Friday, October 29, there will be an address on "Control Techniques in Office Services and Routines" by Brigadier General H. N. Gilbert, Director, Office of Dependency Benefits, War Department.

## Production Division Arranging Program For Fall Conference

Plans are now being formulated for the Fall Conference of the AMA Production Division, to be held in New York City, November 16 and 17. Sessions will be conducted at the Hotel New Yorker.

The program, which is under the direction of Erwin H. Schell, Department of Business and Engineering Administration, Massachusetts Institute of Technology, and AMA Vice President in Charge of the Production Division, will be built around members' suggestions.

Among the topics being considered are production control, reducing employee turnover, organizing for changes in product design, statistical methods of quality control, the 10-hour workday, union-management committees, inspection procedures, selecting and training inspectors, incentive compensation plans, postwar planning for the factory.

Also, part-time and half-shift workers, non-financial incentives, trends in foreman training, new safety problems, government attitude toward incentives.

## The President's Scratch-Pad

(Continued from page 1)

for fixed prices to be agreed upon.

"The various procurement agencies have been considering and experimenting with new types of contracts that would give manufacturers an incentive to reduce costs. These new types of contracts should be substituted for prevailing cost-plus contracts wherever feasible and as quickly as possible, along the West Coast as a starter.

"Effectively carried through, this change in contracts should save billions of dollars . . . [and] give us the equivalent of an additional labor force running into the tens of thousands, perhaps the hundreds of thousands . . . It is time we turned our attention to reducing the 85, 90 or 95 cents of the production dollar represented by costs."

With competition coming into its own again, a powerful new instrument of production lies within the grasp of war agencies. It must be used wisely, however, and it is hoped that all new policies that are proposed are given the most careful and weighty consideration, else artificial obstacles will be created that will defeat the government's purpose.

*Alvin E. Dodd*

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